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MEMORANDUM FOR MR. WALT W. ROSTOW
THE WHITE HOUSE

Subject: Civil Aviation Discussions with Italy

On July 19 and 20, 1968, Assistant Secretary Solomon, accompanied by CAB Member Minetti, will meet informally with Ambassador Ortona and Italian Director General of Civil Aviation Santini to discuss United States-Italian civil aviation relations. Although these are not formal negotiations, there is a possibility that they may reach an understanding on the principal elements that would be mutually accepted in a new bilateral air transport agreement. If these discussions are successful, it would be possible to enter into formal negotiations later this year to work out a new agreement.

The enclosed memorandum describes the issues involved and the guidelines for Mr. Solomon and Mr. Minetti in these talks.

Benjamin H. Read
Executive Secretary

Enclosure:
Memorandum

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MEMORANDUM

Civil Aviation Discussions with Italy

On May 22, 1968, the third in a series of informal discussions on civil aviation was held between Assistant Secretary Solomon and Ambassador Ortona, accompanied respectively by CAB Member Minetti and General Santini and by air industry observers from each side. At that meeting the Italians indicated willingness to accept United States capacity principles in a new agreement, and also to reach an acceptable accommodation on all-cargo services and on the multiple designation of carriers. Thus, the issue which is still pending is what routes would be exchanged. This will be the principal issue to be discussed in the informal talks between the same participants which have been scheduled in Rome for July 19 and 20, 1968.

In the last formal negotiations with Italy in May 1967, the USG offered Italy a round-the-world route via Los Angeles and Tokyo in addition to the New York, Boston and Chicago routes already operated by Italy. Italy rejected this offer, in part because it wanted also a route to Atlanta and Dallas and a route beyond Atlanta to Mexico, and in part because it did not want to grant the USG routes beyond Italy to East Africa and Australia which the USG had requested.

The USG has insisted with Italy, as with other countries, that air transport rights are a commercial matter, and that, therefore routes exchanged must in the aggregate not be unacceptably out of balance in terms of economic values. (We publicly characterized our last route offer to the Italians in 1967 as being valued considerably in their favor.) Italy has now accepted this concept and has prepared jointly with US officials some estimates on the value of routes each side has requested. These estimates show some important areas of agreement, but also contain numerous differences in valuation. The Department, with CAB concurrence, is prepared now to offer Italy some additional points in the United States, if Italy is willing to grant the USG, in exchange, routes that generally meet the balance of economic value test described above. We would use, in this connection, the route valuations that were produced by the recent joint exercise. The USG offer to Italy on this basis may need to include a new route for Italy to Atlanta and Dallas as well as the round-the-world route via Los Angeles. The parameters of this route exchange will be clearer after the talks in Rome.

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The American carriers accept the need to offer Italy a route structure of substantial value, including a round-the-world route. The offer of an Atlanta/Dallas route, however, is likely to have some opposition from Braniff, Delta, Eastern and American, who now benefit from carrying traffic between New York (or other gateways) and these cities.

We believe that the grant of an additional route to Italy to Atlanta and Dallas, within the context of an otherwise acceptable exchange, would further the public interest in good air transport, and an agreement with Italy obviously would be in the interests of our over-all bilateral relations.

The Department will keep the White House informed of the results of the talks in Rome.

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